

U.S. DEPARTMENT OF ENERGY

CONTRACT AND PROJECT
MANAGEMENT IMPROVEMENT



Closure Report

April 2012

Executive Summary

The Department of Energy (DOE) is committed to making continuous improvements in contract and project management performance. Improving DOE contract and project management is a top priority of the Department's senior management and entire organization. With over 80% of DOE's budget funding procurement actions and large capital projects, continuous improvements in these areas will provide the greatest return. One of the first steps the Department took to improve contract and project management was to hold a Root Cause Analysis (RCA) Workshop in 2007. Following the RCA Workshop, DOE published a report entitled *U.S. Department of Energy Contract and Project Management Root Cause Analysis Corrective Action Plan* (CAP) which identified the 10 most significant issues DOE faced in managing its contracts and projects. In February 2011, the Department issued the RCA CAP Closure Report which presented a status of the Department's initiative to address the most significant issues and their corresponding root causes, and officially closed out most of the issues and root causes.

Following the success of the CAP, the Deputy Secretary convened the DOE Contract and Project Management Summit in December 2010 to discuss strategies for additional improvement in contract and project management. Participants included representatives from DOE Program Offices, Field Offices, and Headquarters involved in managing large DOE Projects. DOE contractor representatives also participated. The participant's identified six issues which were identified as barriers to improved performance. The issues are summarized in Table ES-1.

Table ES – 1 Contract and Project Management Issues

1.	Program offices do not consistently maintain alignment between the contract and the project baselines throughout contract performance. Also, it takes too long to "true-up" contracts.
2.	The Department lacks a consistent, integrated process for establishing project priorities within programs and for using those priorities to drive budget decisions.
3.	The Department does not consistently and adequately administer contracts so that projects are completed on time and within cost.
4.	The roles and responsibilities of Contracting Officers and Contracting Officer Representatives are not universally understood and followed.
5.	The Department needs to improve its ability to hold federal employees and contractors accountable for project and contract performance and to award fees to contractors consistent with project performance and/or operational targets. In addition, the Department needs to improve its process for documenting contractor performance.
6.	The Department continues to need to identify and obtain sufficient capital asset project and contract management personnel with the skills and experience to manage projects and contracts.

Following the Summit, a Contract and Project Management Improvement (CMPI) Executive Steering Committee (ESC) was established to coordinate implementation of efforts to address the six issues. Teams with members from various offices throughout the Department were formed to address the issues. Each team prepared an implementation plan with Plans of

Actions and Milestones, and presented the status of their progress to the ESC at monthly meetings.

The teams completed a majority of the corrective actions to address the issues identified during the CPMI Summit. The remaining issues will be accomplished through continuous improvement activities.

This CPMI Closure Report presents the status of the Department's initiatives to address the six issues. The Department has fully or partially completed all six issues identified during the Summit. Table ES – 2 provides a status of the Department's implementation of actions to address each issue.

Table ES – 2 Status of the Department's Implementation of Actions to Address Each Issue

Significant Contract and Project Management Issues	Status
1. Program offices do not consistently maintain alignment between the contract and the project baselines throughout contract performance. Also, it takes too long to "true-up" contracts.	Complete
2. The Department lacks a consistent, integrated process for establishing project priorities within programs and for using those priorities to drive budget decisions.	Partially Complete
3. The Department does not consistently and adequately administer contracts so that projects are completed on time and within cost.	Complete
4. The roles and responsibilities of Contracting Officers and Contracting Officer Representatives are not universally understood and followed.	Complete
5. The Department needs to improve its ability to hold federal employees and contractors accountable for project and contract performance and to award fees to contractors consistent with project performance and/or operational targets. In addition, the Department needs to improve its process for documenting contractor performance.	Partially Complete
6. The Department continues to need to identify and obtain sufficient capital asset project and contract management personnel with the skills and experience to manage projects and contracts.	Partially Complete

The six Summit teams, guided by the CPMI ESC, have achieved numerous accomplishments which are described in detail below. In those cases where no action was taken, or additional action is necessary in the future, an explanation is provided.

CPMI Issue #1 Project and Contract Alignment, Change Control, and Truing-Up Contracts

The summit participants concluded that program offices do not consistently maintain alignment between the contract and the project baselines throughout contract performance. In addition, they found that it takes too long to "true-up" contracts. They attributed these problems in part to a lack of a common understanding of performance expectations, unclear terminology, and

inadequate acquisition planning. In addition, they expressed concern about the lack of coordination between contracting officers and Federal project directors. To address these issues, the Team identified the following actions:

1. Clarify expectations and terminology regarding change management through the development of a change control guide that will also set forth a structure for improved change control and provide training/support to implement improvements.
2. Develop and implement recommendations to improve acquisition planning and lead time.
3. Develop and implement recommendations to improve coordination between contracting officers and Federal project directors.

Accomplishments:

1. The team developed and issued DOE's Change Control Management Guide (DOE G 413.3-20). The guide:
 - a) Describes a step-by-step change control management process for use in the execution of capital asset projects for both traditional and Management & Operating (M&O) Contracts. The process includes controlling contract and project changes as integral, synchronized activities over the project lifecycle so that project baselines and contracts, from performance, cost, schedule, budget, and contract management perspectives, remain aligned;
 - b) Clarifies contract and project change control terminology;
 - c) Clarifies the differences in change management for projects performed under traditional (non-M&O) and M&O contracts;
 - d) Describes contract change process for timely "true-up"; and
 - e) Describes the role of DOE change control boards (CCB) and their structure.
- I. The team identified gaps in training related to aligning Project and Contract Management, Contracting Officer Representative (COR) roles and responsibilities and managing incentive contracts. Following training enhancements have been implemented:
 - i. A four-day Managing Contract Changes course is now a required training in the Federal Project Director (FPD) certification curriculum. Eleven classes are scheduled in FY 2012.
 - ii. A Defense Acquisition University online course for Contracting Officer (CO) Representative that addresses roles and responsibilities for acquisition team has been incorporated in the FPD training curriculum.
- II. The team has proposed the following four performance metrics for tracking progress in improving change control:
 - i. Percentage (%) of Certified Acquisition Professionals
 - ii. Timely definitization of contract modifications
 - iii. Number of priced vs. un-priced changes
 - iv. Number of Contractor initiated Request for Equitable Adjustment

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2. The team developed the following recommendations to improve acquisition planning and lead time:
 - a) Implement a pre-solicitation "countdown schedule" as a means to reduce acquisition planning time, and
 - b) Plan rapid improvement workshop to reduce/standardize RFP award lead time.
 - c) The team is incorporating these recommendations in the DOE Acquisition Guide that will be issued by in the summer of 2012.
 3. The team analyzed and documented gaps/inconsistencies in current policies/guidance on FPD and Contracting Officer (CO) Roles and Responsibilities as well as any other issues inhibiting coordination and formulated the following recommendations:
 - a) Assign COR responsibilities to the FPD;
 - b) CO and FPD should have regular coordination meetings;
 - c) CO should attend Quarterly Project Reviews (QPRs), Energy System Acquisition Advisory Board (ESAAB) and other senior management reviews with the FPD;
 - d) FPD and CO are present or notify each other on their Contract Management (CM)-Project Management (PM) activities;
 - e) CO-FPD relationship rated in their performance plans;
 - f) To the extent feasible FPD and CO offices should be co-located; and
 - g) FPD and CO should both co-lead the integrated Contract/Project CCB.

CPMI Issue #2: Program/Project Prioritization and Funding Alignment

The summit participants concluded that the Department lacks a consistent, integrated process for establishing project priorities within programs and for using those priorities to drive budget decisions. They also cited the need for long-term planning, programming, budgeting and execution (PPBE) as a challenge to improving the alignment of funding with priority projects. To address this issue, the following needs were identified by the Team:

1. Develop and implement a robust PPBE system.
2. Decide whether to establish a system for prioritizing projects and aligning funding based on benchmarking with other agencies and DOE programs.

Accomplishments:

1. Analyzed PARS II system limitations and gaps regarding the capability to include relevant funding profiles for all DOE capital asset projects. Existing capabilities were sufficient for pilot operations, and enhancements will be included in the next PARS II update for use by program offices in their submissions for the next budget. Integrated new procedures into the DOE PPBE process that use project funding profile data and trends to address affordability and competing budget priorities for DOE Capital Asset Projects.
2. Collected and validated a comprehensive list of capital asset funding profiles for the FY 2013 Strategic Resources Review IPL data call, as well as post-CD-2 Performance Baselines from Project Data Sheets submitted for the Congressional Budget Request. Team developed Business Rules to update and maintain capital asset funding profiles in PARS II over time, and included them in an update to the PARS II Standard Operating Procedures document.

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3. Strengthened need for integrated priority list (IPLs) for all capital asset projects in future budget guidance to all programs.

CPMI Issue #3 Contract Administration, Including Surveillance, Monitoring and Oversight

The Summit participants concluded that the Department does not consistently and adequately administer contracts so that projects are completed on time and within cost. They attributed this situation to a lack of personnel resources and insufficient emphasis on basic contract administration. To address these issues, the Team planned the following actions:

1. Improve Contract Management Plans to ensure appropriate surveillance and oversight.
2. Develop guidance and training to improve Performance Evaluation Management Plans (PEMPS)
3. Establish contract administration personnel requirements.

Accomplishments:

1. Developed and released a new Acquisition Guide Chapter 42.5 on Contract Management. This new Guide Chapter provides comprehensive guidance for both contract administration and project management. It includes guidance for Contract Management Teams and reinforces the need to have the necessary personnel and resources in place when developing a Contract Management Plan (CMP).
2. PEMP, CMP & COR training is being conducted by the Office of Procurement and Assistance Management during site visits. Also a new Acquisition Guide Chapter is under development for PEMP development for DOE Procurement offices. Publication of the new Guide Chapter is scheduled in Fiscal Year (FY) 12.
3. To understand current contracting administration requirements for DOE Procurement offices, a baseline of office needs will be performed. Each DOE procurement office is scheduled to be visited this fiscal year and training needs for sites will be assessed. Also three Procurement Management and Reviews are planned in FY12 - National Energy Technology Laboratory site in Morgantown, West Virginia, Golden Field Office in Denver, Colorado, and the Waste Treatment Plant Project office in Richland, Washington. These reviews will establish administration expectations for procurement organizations throughout DOE.

CPMI Issue #4 Roles and Responsibilities of Contracting Officers and Contracting Officer Representatives

Contracting Officers (COs) and Contracting Officer Representatives (CORs) have distinct roles, responsibilities, and authorities; however, the summit participants expressed concern that these roles and responsibilities are not universally understood and followed. To address these concerns, program offices will establish and communicate clear roles, responsibilities, and authorities for their COs and CORs. The Office of Science Management System, which sets forth roles, responsibilities, and authorities, should be benchmarked as a possible model. In addition, programs should conduct an annual assessment of and forecast needs for CORs.

Also, MA will investigate training to help programs enhance understanding of roles and responsibilities. MA will coordinate implementation of these actions, which will be completed by July 2012. To address these issues, the Team identified the following actions:

1. Develop Roles and Responsibility Templates for Program Offices. Develop comparative analysis non-M&O R&Rs vs. M&O.
2. Develop standardized COR appointment process.
 - a. Develop appointment letter template.
 - b. Develop Lead COR/Assistant COR appointment process.
 - c. Develop CO training guide for COR appointment-contract specific.
 - d. Develop COR interview (competency) template for Program Offices.
3. Develop COR work-load balance recommendations.
 - a. Develop COR collateral duty recommendations.
 - b. Develop COR/CO roles and responsibilities training recommendations.

Accomplishments:

1. The team addressed the major concerns that were stated in the Summit document; establish and communicate clear roles, responsibilities, and authorities for their COs and CORs. Policy Flash 2012-25 provided guidance for certifying and appointing Contracting Officers Representatives. This policy flash provided templates for certification, nomination and COR Summary of Experience.
2. The team developed the COR Toolkit. This online toolkit contains templates, models, and guides to aid Program Offices, Contracting Officer's Representatives (CORs) and Contracting Officers certify, nominate and appoint CORs. The tool kit includes, COR Competency Interview Template, The kit also contains a COR Staffing Model, COR Work Load Model and a COR Staffing Model.
3. Also included in the tool kit is the COR Certification Process Flow Diagram, CO/COR Roles and Responsibilities Template, CO Contract Specific Training presentation, and COR Handbook.

CPMI Issue #5 Accountability – Aligning Incentives

The summit participants agreed that the Department needs to improve its ability to hold federal employees and contractors accountable for project and contract performance and to award fees to contractors consistent with project performance and/or operational targets. In addition, the Department needs to improve its process for documenting contractor performance. To address these issues, the Team identified the following actions:

1. Ensure that all program offices identify a single owner at headquarters to be responsible for each capital line-item project.
2. Ensure project assessment organizations are adequately staffed and have direct access to senior leadership.
3. Enhance implementation of peer reviews based on the SC model.

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4. Ensure that contractor performance is appropriately documented and taken into consideration in awarding future contracts.
 5. Ensure contract fee determination is consistent with contractor performance.

Accomplishments:

1. A single owner will now be identified as having the programmatic and budgetary authority to effect timely decisions regarding project issues. That individual will have a clear line authority and must be held accountable within HQ for project success. For each project over \$50 million, NNSA, SC, and EM have identified a single owner with the requisite authority.
2. Since the CPMI Summit was held, the National Nuclear Security Administration (NNSA), Office of Environmental Management (EM), Office of Engineering and Construction Management (OECM) and Office of Procurement and Assistance Management (OPAM) have undergone a major restructuring within their project management organizations which resulted in enhanced access to senior leadership. In addition, organizationally, acquisition and project management were aligned within one organizational element. Also, regular monthly meetings with the Deputy Secretary have been established for program leaders to discuss project and contract issues. A subtask in support of this strategy was to establish project performance measures to be incorporated into performance plans for the management chain and support organizations. A 'library' of performance objectives has been created for all levels of project management (i.e. Acquisition Executive, Federal Project Director, Project Managers) which are specific, but generic enough to be tailored to specific performance appraisal systems, organizations, and projects.
3. NNSA and EM each conducted a self-assessment of their respective peer review processes and have begun to implement the SC model. Both organizations have published procedures and implementation plans which are consistent with the SC model. Expectations were provided in the Deputy Secretary Memorandum "Project Peer Review" dated April 12, 2011, and each office is in compliance.
4. To improve documenting contractor's past performance the Field Assistance and Oversight Division (MA-621), Office of Procurement and Assistance Management (OPAM) recognized the need for PEMP guidance to be issued to the sites. As a result, all existing PEMP guidance is being collected, compared, and consolidated, by MA-621 into a single Acquisition Guide Chapter. The Guide Chapter will provide basic information as to content and development of the PEMPs including lessons learned and templates based upon current reviews conducted by HCAs and OPAM. Lessons learned information is being provided to the field through "brown bag" PEMP training classes that are being conducted in conjunction with MA-621 site visits scheduled in FY12. It is anticipated the new Guide Chapter will be published and available through the DOE website no later than June 2012.

CPMI Issue #6 Adequate Project and Contract Staffing

The summit participants concluded that the Department continues to need to identify and obtain sufficient capital asset project and contract management personnel with the skills and experience to manage projects and contracts. To address this issue, a team will evaluate and determine the best funding strategy for resourcing Integrated Project Teams (IPT) for projects. The team will also benchmark and analyze best practices for training and incentivizing project and contracting staff. To address these issues, the Team identified the following actions:

1. Develop policy statement to clarify roles and responsibilities for FPD development of staffing plan.
2. Develop policy statement to clarify roles and responsibilities for acquisition executive (AE) or equivalent to obtain funding for staffing plan.
3. Develop policy statement on sources for IPT staffing using flexibility inherent in U.S. Office of Personnel Management (OPM) and Departmental policies.
4. Perform benchmark analysis of government and private sector organizations' project and contract management staffing policies and practices, and provide best in class recommendations for implementation.
5. Assign senior management task team to evaluate and determine best funding strategy for IPT resources.
6. For the Office of Environmental Management (EM) and the National Nuclear Security Administration (NNSA), select and develop pilot project to demonstrate elements of cultural change to achieve malleable workforce in support of effective IPTs.

Accomplishments:

1. The team and the ESC determined that DOE O 413.3B provides adequate staffing requirements for the FPD and AE. The FPD must ensure that the staffing plan is part of the acquisition strategy, an element required for CD-1 approval by the AE. The FPD as the lead of the IPT must ensure that the IPT is properly staffed utilizing various resources including DOE G 413.3-18A, *Integrated Project Team* and DOE G 413.3-19 Chg 1, *Staffing Guide*.
2. Reinforced that the AE is responsible for monitoring the effectiveness of FPDs and their support staff including through independent project reviews (IPR) and approve funding profiles to support project execution.
3. The team determined that the Root Cause Analysis Corrective Action Plan (RCA CAP) *Staffing Study Summary Report* provides a comprehensive list of resource alternatives for IPT staffing based on research of government and private sector organizations. The team and the ESC determined that a policy statement on sources for IPT staffing is not necessary. The team noted that the funding strategy can be considered on project by

project or sub-program basis, but emphasized that the strategy needs to be identified as early as possible to ensure appropriate planning for funds and personnel.

4. EM and NNSA determined that pilot projects are not required. Other means have been implemented to support effective IPTs.
5. EM and NNSA have successfully utilized temporary duty assignments (TDY) to reallocate personnel to support projects, augmented federal personnel with support service contractors, temporarily acquired federal personnel resources from other federal agencies including the U.S. Army Corps of Engineers (USACE), and recruited project personnel through the Department's hiring process. EM also developed and implemented a program to improve staffing projections, and requires all briefs to the AE for CD approval include a detailed staffing plan based on an acceptable staffing methodology.
6. NNSA, based on best practices from the USACE and the Naval Facilities Engineering Command (NAVFAC), is aggressively planning to initiate a program for fiscal year 2014 that will fund staffing needs from an internal contract and project management (CAPM) account. The amount will be commensurate to its annual budget request.

Summary

The Department has addressed all six Issues identified during the DOE Contract and Project Management Summit. It has effectively mitigated most of the causes identified as responsible for the most significant issues. With the issuance of new policies such as the Change Control Management Guide (DOE G 413.3-20), a revised DOE Acquisition Guide Chapters 42.5 Contract Management Planning, many issues have been mitigated. In other areas (Issues #2, #5 and #6) new policies were not required but internal DOE processes were revised or changed to address the needed changes as tasked for by the CPMI. Project Prioritization (Issue #2) is viewed as partially complete with this report. A more robust system of project prioritization and budget information system is required to completely mitigate this issue. The design and development of the Contracting Officers and Contracting Officer Technical Representatives CO and COR tool kit provides Contracting Officers and Contracting Officer Representatives and the DOE COR tool Kit posted on the Office of Management page completed the closeout of this issues as initiated with the CPMI. All accountability issues were mitigated with the exception of all program offices identifying a single owner at Headquarters to be responsible for each capital line-item project. Different Program Office organizational structures and the definition of "completely responsible" is not consistent across the Department. A new Acquisition Guide Chapter will be created to provide greater depth of information available for the development of Performance Evaluation Management Plans (PEMPs) by contract and project teams. The issue of project staffing of DOE projects is considered mitigated. Staffing reviews of projects at critical decision points will be performed and mobility agreements of project staff and use of the Army Corps of Engineers and NAVFAC staff are viable resources for use by the Department. Issues were resolved with CPMI Team member's efforts with their organizations to ensure problems with issues were addressed and mitigated. In some cases, it was the execution of contract and project management that needed to be improved as opposed to issuance of new policy.

Continuous improvements in Contract and Project management in the Department will be implemented by the Department's Program Staff/Support Offices. The CPMI Executive

Steering Committee has served its purpose and will continue to review partially completed issues. Ongoing initiatives will continue to be addressed and new initiatives will emerge as part of continuous improvements. The Department's focus on contract and project management improvement will continue with the goal of consistent and sustainable project success.